

§ 723.7

business loan and states the reasons for those findings in the credit union's written policies). At a minimum, your documentation must include the following:

- (1) Balance sheet;
- (2) Cash flow analysis;
- (3) Income statement;
- (4) Tax data;
- (5) Analysis of leveraging; and
- (6) Comparison with industry average or similar analysis;
- (j) The collateral requirements must include:
 - (1) Loan-to-value ratios;
 - (2) Determination of value;
 - (3) Determination of ownership;
 - (4) Steps to secure various types of collateral; and
 - (5) How often the credit union will re-evaluate the value and marketability of collateral;
- (k) The interest rates and maturities of business loans;
- (l) General loan procedures which include:
 - (1) Loan monitoring;
 - (2) Servicing and follow-up; and
 - (3) Collection;
- (m) Identification of those individuals prohibited from receiving member business loans.

§ 723.7 What are the collateral and security requirements?

(a) Unless your Regional Director grants a waiver, all member business loans must be secured by collateral as follows:

Lien	Minimum loan to value requirements
All	LTV ratios for all liens cannot exceed 80% unless the value in excess of 80% is covered through private mortgage or equivalent insurance but in no case can it exceed 95%.

12 CFR Ch. VII (1–1–02 Edition)

Lien	Minimum loan to value requirements
First with PMI or similar type of insurer.	You may grant a LTV ratio in excess of 80% only where the value in excess of 80% is covered through: acquisition of private mortgage or equivalent type insurance provided by an insurer acceptable to the credit union (where available); insurance or guarantees by, or subject to advance commitment to purchase by, an agency of the federal government; or insurance or guarantees by, or subject to advance commitment to purchase by, an agency of a state or any of its political subdivisions.
First	LTV ratios up to 80%.
Second	LTV ratios up to 80%.

(b) Principals, other than a not for profit organization as defined by the Internal Revenue Service Code (26 U.S.C. 501) or those where the Regional Director grants a waiver, must provide their personal liability and guarantee.

(c) Federally insured credit unions are exempt from the provisions of paragraphs (a) and (b) of this section with respect to credit card line of credit programs offered to nonnatural person members that are limited to routine purposes normally made available under those programs.

§ 723.8 How much may one member, or a group of associated members, borrow?

Unless your Regional Director grants a waiver for a higher amount the aggregate amount of outstanding member business loans (including any unfunded commitments) to any one member or group of associated members must not exceed the greater of:

- (a) 15% of the credit union's net worth; or
- (b) \$100,000.

§ 723.9 How do you calculate the aggregate 15% limit?

(a) *Step 1.* Calculate the numerator by adding together the total outstanding balance of member business loans to any one member, or group of associated members. From this amount, subtract any portion:

- (1) Secured by shares in the credit union;

National Credit Union Administration

§ 723.14

(2) Secured by deposits in another financial institution;

(3) Fully or partially insured or guaranteed by any agency of the Federal government, state, or its political subdivisions;

(4) Subject to an advance commitment to purchase by any agency of the Federal government, state, or its political subdivisions.

(b) *Step 2.* Divide the numerator by net worth.

§ 723.10 What waivers are available?

You may seek a waiver for a category of loans in the following areas:

(a) Loan-to-value ratios under § 723.7;

(b) Maximum loan amount to one borrower or associated group of borrowers under § 723.8;

(c) Construction and development loan limits under § 723.3;

(d) Requirement for personal liability and guarantee under § 723.7; and

(e) Appraisal requirements under § 722.3.

§ 723.11 How do you obtain a waiver?

To obtain a waiver, a federal credit union must submit a request to the Regional Director (a corporate federal credit union submits the waiver request to the Director of the Office of Corporate Credit Unions). A state chartered federally insured credit union must submit the request to its state supervisory authority. If the state supervisory authority approves the request, the state regulator will forward the request to the Regional Director (or if appropriate the Director of the Office of Corporate Credit Unions). A waiver is not effective until it is approved by the Regional Director (or in the case of a corporate federal credit union the Director of the Office of Corporate Credit Unions). The waiver request must contain the following:

(a) A copy of your business lending policy;

(b) The higher limit sought (if applicable);

(c) An explanation of the need to raise the limit (if applicable);

(d) Documentation supporting your ability to manage this activity; and

(e) An analysis of the credit union's prior experience making member business loans, including as a minimum:

(1) The history of loan losses and loan delinquency;

(2) Volume and cyclical or seasonal patterns;

(3) Diversification;

(4) Concentrations of credit to one borrower or group of associated borrowers in excess of 15% of net worth;

(5) Underwriting standards and practices;

(6) Types of loans grouped by purpose and collateral; and

(7) The qualifications of personnel responsible for underwriting and administering member business loans.

§ 723.12 What will NCUA do with my waiver request?

Your Regional Director (or the Director of the Office of Corporate Credit Unions) will:

(a) Review the information you provided in your request;

(b) Evaluate the level of risk to your credit union;

(c) Consider your credit union's historical CAMEL composite and component ratings when evaluating your request; and

(d) Notify you whenever your waiver request is deemed complete. Notify you of the action taken within 45 calendar days of receiving a complete request from the federal credit union or the state supervisory authority. If you do not receive notification within 45 calendar days of the date the complete request was received by the regional office, the credit union may assume approval of the waiver request.

§ 723.13 What options are available if the NCUA Regional Director denies my waiver request, or a portion of it?

You may appeal the Regional Director's (or the Director of the Office of Corporate Credit Unions) decision in writing to the NCUA Board. Your appeal must include all information requested in § 723.11 and why you disagree with your Regional Director's (or the Office of Corporate Credit Union Director's) decision.

§ 723.14 How do I classify loans so as to reserve for potential losses?

Non-delinquent member business loans may be classified based on factors such as the adequacy of analysis